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Dear Robert

International Power (IPR) has provided responses to the various BSC consultations on the recent zonal losses modifications and to the Ofgem Impact assessment. IPR has provided general support to the modifications, partly because we agree that they (including P203) would encourage more efficient plant despatch across GB.

However, our support for P203 is finely balanced. Firstly, we believe zonal losses would be unlikely to influence the location of new generating plant, given other more material factors involved in siting decisions. Secondly, we also now have some reservations as to the accuracy of the data published by Oxera which we detail below.

As well as establishing the impact of introducing zonal losses across GB, BSC Parties also need to establish the impact of zonal losses on their own portfolios. We had assumed that the Oxera analysis would have allowed both of these assessments to have been made with a fair degree of accuracy.

Just prior to the publication of Ofgem's 'minded to' statement, it was drawn to our attention that fixed losses may have been excluded from the zonal TLMs calculated by Oxera in its analysis of the modifications. This has in fact been confirmed (and the omission dismissed) in this 'minded to' statement.

Whilst Oxera calculated the net overall benefit of zonal TLMs, it only published in its final report calculated zonal seasonal TLMs (excluding fixed losses) under the various modifications. It did not publish equivalent calculated losses under the current regime excluding the fixed losses element in order for direct comparisons to be made. Without this information, it has been difficult for BSC Parties to assess the impact of P203 on their portfolios, as the only data BSC Parties have to compare relates to actual losses history which includes an element for fixed losses. International Power requests that this information be made available.

Furthermore, because of this omission, we now question the validity of the Oxera analysis and the Ofgem Impact assessment – did Oxera for example use a forward

projection of current actual losses or a modelled value for current losses excluding fixed losses in its assessment? We believe that further clarification from Oxera should be provided to ensure that comparable loss factors have been used in the assessment. If the loss factors are not comparable, the analysis should be repeated and reissued to all BSC Parties. A further consultation should then take place prior to any decision by Ofgem on the zonal losses modifications.

In summary IPR believes that Oxera should clarify whether they have used comparable loss factors, and BSC Parties should be provided with the necessary information from which to assess quantitative impacts of the modifications.

Yours sincerely

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